AUDITING PROCEDURES REPORT

Issued und	er P.A. 2 of 1	968, as am	ended. I	Filing is mandatory					
Local Go	overnment T		Villa	ge 🗌 Other	Local Govern	ment Name MES TOWN	15H1P	County SAG	INAW
Audit Da	te -31-6	N.J.	Opi	nion Date		Date Accountant Re	port Submitted to Sta ークケ	te:	
prepare Reportii	d in acco	rdance at for F	with t	he Statemen	ts of the Gov	nit of government vernmental Accou es and Local Uni	nting Standards	Board (GASB)	and the Uniforn
We affir		nlied w	ith the	Rulletin for t	he Audits of I	Local Units of Gov	vernment in Michi	DEF	ECEIVE T. OF TREASUR
						ctice in Michigan.	onmone in ignorii		EP 2 3 2004
We furth	ner affirm ort of com	the follo	owing. and rea	"Yes" respor	nses have be ns	en disclosed in th	e financial staten	nents, indi ucu ng	9/22 Ung notes or in Ung notes or in
You mus	st check t	ne appli	cable	box for each	item below.				
yes	no	1. Ce	rtain c	component ur	nits/funds/age	encies of the local	unit are excluded	d from the finan	cial statements
ges	no			re accumulat (P.A. 275 of		n one or more o	f this unit's unre	eserved fund b	alances/retained
yes	✓ no			e instances o amended).	of non-compl	liance with the Ur	niform Accounting	g and Budgetin	g Act (P.A. 2 c
yes	V no					nditions of either a ued under the Em			cipal Finance Ac
ges	1 no					tments which do], or P.A. 55 of 19	• •	•	•
yes	no	6. The		unit has bee	en delinquent	in distributing tax	revenues that w	ere collected fo	r another taxin
yes	no	ear the	ned poorf	ension benefi	its (normal co	nstitutional require osts) in the current han the normal c	t year. If the plan	is more than 1	00% funded and
yes	no			unit uses cre CL 129.241).	edit cards an	d has not adopted	d an applicable p	olicy as require	d by P.A. 266 o
yes yes	no	9. The	local	unit has not	adopted an ir	nvestment policy a	as required by P.	A. 196 of 1997	(MCL 129.95).
We hav	e enclos	ed the	follo	wing:			Enclosed	To Be Forwarded	Not Required
The lette	r of comn	nents a	nd rec	ommendation	ıs.	PG 24-3	30 1		
Reports	on individ	ual fed	eral fir	ancial assista	ance progran	ns (program audits	s).		V
Single A	udit Repo	rts (ASI	.GU).						V
Certified	Public Acc			DEK	CTHIAU	ME & CO,	MPANY C		
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Accounta	nt Signatu	re //	1000	ntil 11.	Rente	an mit		- X-	

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60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Township Board James Township Saginaw County, Michigan

We have audited the accompanying general purpose financial statements of James Township, Saginaw County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of James Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of James Township, as of March 31, 2004, and the results of its operations and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of James Township, Saginaw County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Berthiaume & Co.

August 12, 2004

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

March 31, 2004

	GOVERNMENTAL FUND TYPE	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE
	General	Enterprise	Trust and Agency
ASSETS: Cash and cash equivalents Investments Taxes receivable Accounts receivable Due from other governmental units Due from other funds Prepaid expense Investment in joint venture Property, plant, and equipment, net Amount to be provided for retirement of long-term debt Total assets	\$ 1,412,385 	\$ 596,693 249,354 - 36,023 - 23 - 51,126 257,042 - \$ 1,190,261	\$ 204,605 - - - - - - - - - - - - - - - - - - -
LIABILITIES & FUND EQUITY:			
Liabilities: Accounts payable Accrued expense Due to other governmental units Due to other funds Deposits payable Note payable	\$ 27,088 9,530 - 23 3,476 - 40,117	\$ 7,623 10,186 - 19,161 - 36,970	\$ - 128,076 76,529 - 204,605
Total liabilities Fund Equity: Contributed capital Investment in general fixed assets		160,998	-
Retained Earnings: Reserved Unreserved Fund Balance: Reserved Unreserved	- 11,876 1,501,150	51,126 941,167	- - -
Total fund equity Total liabilities & fund equity	1,513,026 \$ 1,553,143	1,153,291 \$ 1,190,261	\$ 204,605

	ACCOUN	T GRC	OUP			
	General		Feneral	Totals		
	Fixed	Long-Term		(Mem	orandum	
	Assets		Debt		Only)	
\$	-	\$	-	\$	2,213,683	
•	-		-		249,354	
	-		-		17,796	
	-		-		36,023	
	-		-	•	18,328	
	-		-	-	95,713	
	-		-		8,944	
	-		-	-	51,126	
	939,422			-	1,196,464	
	-		123,449)	123,449	
\$	939,422	\$	123,449	\$	4,010,880	
\$	_	\$	-	- \$	34,711	
-	-			-	19,716	
	-			-	128,076	
	-		•	-	95,713	
	-			-	3,476	
	-		123,449)	123,449	
	-		123,449)	405,141	
	-		•	-	160,998	
	939,422			-	939,422	
	_			_	51,126	
	-			-	941,167	
	-			-	11,876	
	-			-	1,501,150	
	939,422			•	3,605,739	
\$	939,422	\$	123,449	9 \$	4,010,880	

GOVERNMENTAL FUND TYPE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	 General
REVENUES:	
Property taxes	\$ 93,094
Licenses and permits	16,526
Intergovernmental:	145,094
State grants	98,983
Charges for services	30,076
Interest and rentals	6,284
Other revenue	
Total revenues	 390,057
EXPENDITURES:	
General government	116,427
Public safety	47,512
Public works	102,346
Community and economic development	16,070
Recreation and culture	7,396 247
Other	6,225
Capital outlay	0,223
Debt Service:	12,100
Principal	5,415
Interest	
Total expenditures	 313,738
Excess of revenues over (under) expenditures	76,319
Fund balance, beginning of year, as restated	 1,436,707
Fund balance, end of year	\$ 1,513,026

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

	GENERAL FUND			
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES: Taxes Licenses and permits Intergovernmental: State grants Charges for services Interest and rentals Other revenue	\$ 89,400 16,500 148,439 95,600 12,500 2,200 364,639	\$ 93,094 16,526 145,094 98,983 30,076 6,284 390,057	\$ 3,694 26 (3,345) 3,383 17,576 4,084 25,418	
Total revenues EXPENDITURES: General government Public safety Public works Community and economic development Recreation and culture Other Capital outlay Debt Service: Principal Interest	126,280 51,683 119,000 17,365 9,011 23,500 11,200 6,300	116,427 47,512 102,346 16,070 7,396 247 6,225	9,853 4,171 16,654 1,295 1,615 (247) 17,275 (900) 885	
Total expenditures	364,339	313,738 76,319	50,601 76,019	
Excess of revenues over (under) expenditures Fund balance, beginning of year, as restated Fund balance, end of year	1,436,707 \$ 1,437,007	1,436,707 \$ 1,513,026	\$ 76,019	

PROPRIETARY FUND TYPE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Enterprise
OPERATING REVENUES:	
Charges for services	\$ 195,186
Total operating revenues	195,186
OPERATING EXPENSES:	
Personnel	62,200
Fringe benefits	4,333
Supplies	1,652 760
Contracted services	8,630
Administrative expense	706
Telephone	114
Dues and memberships	586
Education and training	11
Printing and publications	20,812
Repair and maintenance	6,044
Insurance Purchase of water	91,131
Other	5,566
Depreciation Depreciation	24,756
Total operating expenses	227,301
Operating income (loss)	(32,115)
NON-OPERATING REVENUES (EXPENSES):	
	15,857
Interest income Other revenue	4,600
Total non-operating revenues (expenses)	20,457
Net income (loss)	(11,658)
	1,003,951
Retained earnings, beginning of year	\$ 992,293
Retained earnings, end of year	5 992,293

PROPRIETARY FUND TYPE

STATEMENT OF CASH FLOWS

	iterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net operating loss	\$ (32,115)
Adjustments:	24,756
Depreciation Constant coasts:	24,730
Decrease (increase) in current assets: Accounts receivable	(9,728)
Increase (decrease) in current liabilities:	. , ,
Accounts payable	1,325
Accrued expenses	 5,168
Net cash provided by (used for) operating activities	 (10,594)
Other revenue Net cash provided by (used for) non-capital and related financing activities	 4,600 4,600
CASH FLOWS FROM INVESTING ACTIVITIES:	(6 902
Purchase of investments	
Investment in joint venture	(77
Interest received	 (77 15,857
Investment in joint venture Interest received Net cash provided by (used for) investing activities	 (77 15,857 8,887
Interest received Net cash provided by (used for) investing activities	 (77 15,857 8,887
Interest received	 (6,893) (77) 15,857 8,887 2,893 593,800

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township (the primary government) and its component units, if any. The Township has no component units and accordingly, the Township has not consolidated any entities into its general purpose financial statements.

BASIS OF PRESENTATION:

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are grouped as follows in the financial statements.

Governmental Fund:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Proprietary Fund:

Enterprise Fund – This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control and accountability, or other purposes. The Township maintains one enterprise fund.

Fiduciary Fund:

Trust and Agency Fund – This fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Township maintains one agency fund.

Account Groups:

General Fixed Assets Account Group - This account group presents the fixed assets of the Township utilized in general operations.

General Long-Term Debt Account Group – This account group is established to account for all unmatured long-term indebtedness of the Township's governmental fund types.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

BASIS OF ACCOUNTING:

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues as available if they are collected within 60 days after year end. Significant revenues susceptible to accrual include taxpayer-assessed income, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

The Township has elected to apply Governmental Accounting Standards Board Statement No. 20, paragraph 7, which allows the Township to apply only those Financial Accounting Standards Board pronouncements issued before November 30, 1989 to the Township's proprietary fund.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Township Board.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

BUDGETS AND BUDGETARY ACCOUNTING, continued

- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

DEPOSITS AND INVESTMENTS:

Cash and cash equivalents consist of demand deposits, savings accounts, certificates of deposits, and other investments, if any, with a maturity date of purchase of ninety days or less. Investments are stated at fair value.

RECEIVABLES:

Receivables have been recognized for all significant amounts due the Township. Valuation reserves have not been provided in that collection thereof is not considered doubtful.

PROPERTY AND EQUIPMENT:

Purchases of general fixed assets by the governmental fund are recorded as expenditures in the general fund at the time of purchase and are recorded by the Township within a general fixed assets account group as required by accounting principles generally accepted in the United States of America.

Property and equipment acquired by the proprietary fund are reported at cost or at estimated fair value at the time of donation. Depreciation is expensed using the straight-line method over the estimated useful lives of the assets. Additions, improvements, and major replacements are capitalized at cost. Maintenance, repairs, and minor replacements are charged to expenses as incurred.

FUND EQUITY:

The unreserved undesignated fund balance for the governmental fund represents the amount available for budgeting future operations. Unreserved retained earnings for the proprietary fund represents the net assets available for future operations or distributions. Reserved retained earnings for the proprietary fund and fund balance for the governmental fund represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Designations of unreserved fund equity in the governmental fund indicate Township management's tentative plans for use of financial resources in a future period.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

PROPERTY TAXES:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County. Delinquent real property taxes not collected are purchased by Saginaw County, therefore all delinquent real property taxes are recognized as revenue in the fiscal year corresponding to the year the current taxes are recognized as revenue. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer and is generally immaterial.

ENCUMBRANCES:

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

TOTAL COLUMNS ON COMBINED STATEMENTS:

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

FUTURE CHANGES IN ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Township's revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Township is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

March 31, 2004

NOTE 2: DEPOSITS AND INVESTMENTS

The Township's deposits and investments at March 31, 2004 are included on the combined balance sheet under the following classifications:

	Deposits	In	vestments	Total
COMBINED BALANCE SHEET				
Cash and cash equivalents Investments	\$ 2,213,683	\$	249,354	\$ 2,213,683 249,354
Total	\$ 2,213,683	\$	249,354	\$ 2,463,037

DEPOSITS:

The carrying amount of the Township's deposits was \$2,213,683 and the bank balance was \$2,215,400. The bank balance is categorized as follows:

Amount insured by the FDIC Uncollateralized and uninsured	\$ 205,496 2,009,904
Total bank balance	\$ 2,215,400

INVESTMENTS:

The Township is authorized by the state statute to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

As of March 31, 2004, the Township's investments were considered uncategorized and included investments in mutual funds, which are not evidenced by securities that exist in physical or book entry form. The Township's investments are in accordance with statutory authority.

March 31, 2004

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

	Interfund Receivable		Interfund Payable
General General Enterprise	\$ 76,529 19,161 23 \$ 95,713	Trust and agency Enterprise General	\$ 76,529 19,161 23 \$ 95,713

NOTE 4: PROPERTY AND EQUIPMENT

Proprietary fund type property and equipment at March 31, 2004 is as follows:

	Enterprise Fund	Depreciable Life-Years
Buildings and improvements Equipment Meters Distribution system	\$ 80,867 18,973 10,747 808,057	30 5-10 20 10-40
Total Less accumulated depreciation	918,644 (661,602)	
Net property and equipment	\$ 257,042	

Depreciation expense for the year ended March 31, 2004 was \$24,756.

NOTE 5: RESERVED FUND BALANCE

The General Fund fund balance, as of March 31, 2004, has been reserved as follows:

For prepaid expense For building inspection department	\$ 8,944 2,932
	\$ 11,876

March 31, 2004

NOTE 6: CHANGES IN GENERAL FIXED ASSETS

The changes in general fixed assets for the year ended March 31, 2004 are summarized as follows:

	Balance 4/1/03	Additions	Reductions	Balance 3/31/04
Land Buildings and improvements Equipment Vehicles	\$ 25,780 284,158 176,658 452,826	\$ -	\$	\$ 25,780 284,158 176,658 452,826
Total general fixed assets	\$939,422	\$	\$	\$ 939,422

NOTE 7: CHANGES IN GENERAL LONG-TERM DEBT

The changes in general long-term debt for the year ended March 31, 2004 is summarized as follows:

	Balance 4/1/03	Add	itions	Re	eductions	_	Balance 3/31/04
General Obligation:							
Installment contract with Community State Bank, maturing monthly through September 30, 2012 with interest at 4.4%.	\$ 134,894	\$	-	\$	11,445	\$	123,449
Total general long-term debt	\$ 134,894	\$		\$	11,445	\$	123,449

The annual requirements to pay future principal and interest are as follows:

Year Ended March 31,	P	Principal	1	nterest	 Total
2005 2006 2007 2008 2009 2010-2013	\$	12,235 12,784 13,358 13,958 14,584 56,530	\$	5,180 4,631 4,057 3,457 2,831 4,555	\$ 17,415 17,415 17,415 17,415 17,415 61,085
010 2010	\$	123,449	\$	24,711	\$ 148,160

Interest expense for the year ended March 31, 2004 was \$5,415.

March 31, 2004

NOTE 8: PROPERTY TAXES

The Township tax levy for the year was based on total assessed property value (taxable value) of \$43,142,481. The millage rate was .9162 for operating purposes and .9796 for fire protection services.

NOTE 9: JOINT VENTURE

The Township is a member of an inter-governmental agreement to operate a joint water authority with Swan Creek Township and the Village of St. Charles. The Township appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three percent.

The following financial information of the Swan Creek Township, James Township, and Village of St. Charles Water Authority was obtained from the latest available audit report as of and for the three months ended March 31, 2004.

Total assets 22,216 7,33 Total liabilities 154,927 51,12 Total equity 291,727 96,27 Total revenues 289,948 95,68 Total expenditures 1,770 56,68		Water Authority		Township Share	
Execus of feverings over the	Total liabilities Total equity Total revenues	\$	22,216 154,927 291,727 289,948	\$	58,457 7,331 51,126 96,270 95,683 587

NOTE 10: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the amount of insurance coverage in any of the past three fiscal years.

March 31, 2004

NOTE 11: DEFINED CONTRIBUTION PENSION PLAN

The Township contributes to the James Township Group Pension Plan, which is a defined contribution pension plan. The Plan is administered by the James Township Board.

Under the pension plan, all employees and elected officials are eligible to participate in the plan. Plan provisions are established and may be amended by the Township Board.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that might be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 1 year of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 7.5% of the employee's base salary. Employees are required to contribute 7.5% of their base annual salary. Contribution requirements are established and may be amended by the Township Board.

During the plan year, the Township's required and actual contributions amounted to \$9,167 and the employees required and actual contributions amounted to \$9,167.

NOTE 12: CONTRIBUTED CAPITAL

The following is an analysis of contributed capital of the enterprise fund by source as of March 31, 2004:

\$ 3,625 157,373
\$ 160,998
\$ \$

There were no changes in contributed capital during the year ended March 31, 2004.

March 31, 2004

NOTE 13: EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2004, the Township did not incur expenditures in the General Fund that were materially in excess of the amounts appropriated.

NOTE 14: PRIOR PERIOD ADJUSTMENT

In the prior fiscal year, the Township did not record the following items in the General Fund that are considered to be material to the financial statements. The effect on the beginning fund balance is as follows:

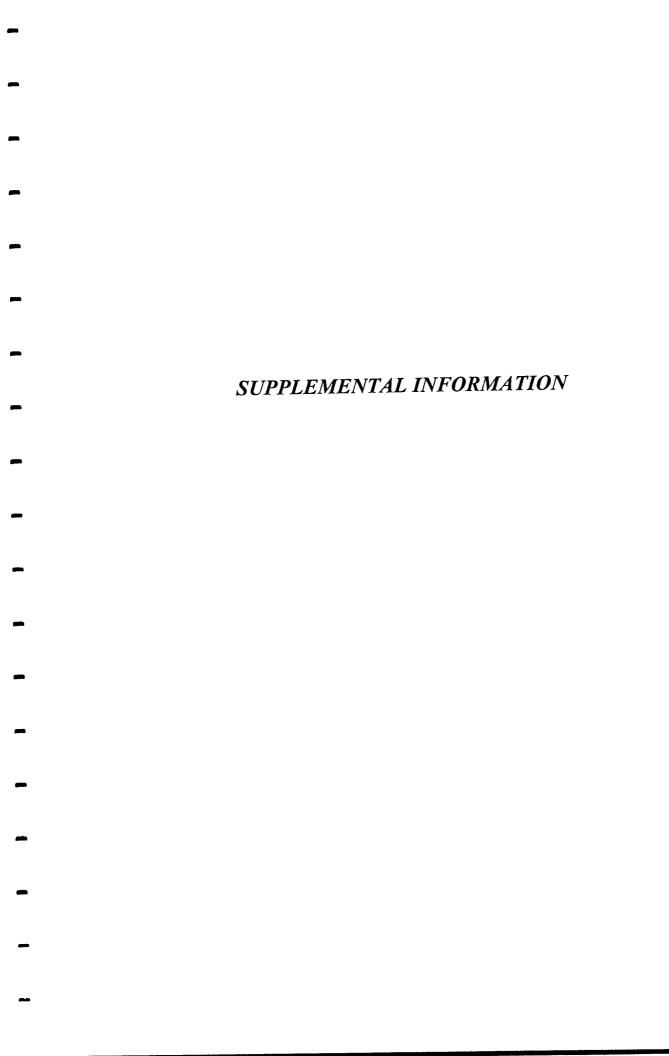
Fund balance, previously stated, March 31, 2003	\$ 1,439,845
Prior period adjustment to recognize deposit with Mid-Michigan Waste Authority	8,944
Prior period adjustment to record February and March 2003 refuse services as payable as of March 31, 2003	(12,082)
Fund balance, as restated, March 31, 2003	\$ 1,436,707

NOTE 15: STATE CONSTRUCTION CODE ACT

The Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Surplus at April 1, 2003	\$		
Current year building permit revenue		6,645	
Related expenditures: Direct costs		3,713	
Cumulative surplus at March 31, 2004	\$	2,932	

In accordance with the law, \$2,932 of fund balance in the General Fund has been reserved for future construction code activities.



STATEMENT OF REVENUES

For the Year Ended March 31, 2004

REVENUES:

Current Taxes:	\$ 81,843
Property taxes	11,251
Property tax administration fee	93,094
Licenses and Permits:	150
Business licenses and permits	6,645
Non-business license and permits	9,731
CATV franchise fees	
	16,526
State Grants:	2,610
Election reimbursement	527
Liquor license fees	141,506
State revenue sharing	451
State grants – other	145,094
Charges for Services:	97,533
Refuse collection fees	800
Zoning/variance application fees	650
Charges for services – other	
	98,983
Interest and Rents:	16,691
Interest earned	13,385
Rents	30,076
O.J. P	
Other Revenue:	796
Special assessments-street lighting Reimbursements	2,381
Miscellaneous	3,107
Milocentaneons	6,284
Total revenues	\$ 390,057
Total 10 voltage	

STATEMENT OF EXPENDITURES

For the Year Ended March 31, 2004

EXPENDITURES:

General Government:

Council:	\$ 7,377
Personnel	553
Fringe benefits	2,090
Supplies	937
Dues and memberships	2,033
Education and training	1,827
Insurance	134
Other	
	14,951
Supervisor:	9,900
Personnel	850
Fringe benefits	30
Mileage/auto	40
Dues and memberships	1,198
Education and training	12,018
Clerk:	
Personnel	9,120
Fringe benefits	684
Supplies	13 75
Dues and memberships	75 941
Education and training	
	10,833
Audit:	3,290
Contracted services	3,290
	3,270
Data Processing:	8,000
Contracted services	
	8,000
Board of Review:	1,170
Personnel	102
Fringe benefits	89
Printing and publications	1,361

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

General Government, continued:

,	
Treasurer:	9,120
Personnel	684
Fringe benefits	2,000
Contracted services	50
Dues and memberships	1,127
Education and training	
	12,981
Assessor:	1,235
Supplies	20,323
Contracted services	20,323
Printing and publications	
.	21,972
Elections:	74
Supplies	73
Contracted services	40
Education and training	240
Other	427
	427
Building and Grounds:	5,589
Personnel	546
Fringe benefits	891
Supplies	2,861
Telephone	3,661
Insurance	7,083
Utilities	9,738
Repairs and maintenance	30,369
Other:	225
Other	225
Total general government	116,427
-	

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Public Safety:	
Liquor Law Enforcement:	648
Personnel	49
Fringe benefits	697
Fire:	4,080
Personnel	306
Fringe benefits	3,526
Supplies	3,500
Contracted services	3,494
Telephone Miles ga/outo	169
Mileage/auto Dues and memberships	245
Insurance	11,660
Utilities	5,259
Repairs and maintenance	4,847
Other	6,015
Ollie	43,101
Protective Inspections and Regulations:	200
Personnel	290
Fringe benefits	22 42
Supplies	
Contracted services	3,120 100
Dues and memberships	126
Education and training	14
Other	3,714
	3,714
Total public safety	47,512
Public Works:	
DrainsPublic Benefit:	0.007
Contracted services	8,907
	8,907
Highways and Streets:	390
Contracted services	390
	390

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Total community and economic development

Public Works, continued:	
Street Lighting:	3,140
Utilities	3,140
Refuse:	
Contracted services	89,909
Contracted services	89,909
Total public works	102,346
Community and Economic Development:	
Planning:	9,664
Personnel	725
Fringe benefits	674
Supplies	534
Contracted services	1,000
Dues and memberships	267
Education and training	2,728
Printing and publications	34
Other	15,626
Zoning:	305
Personnel	303
Fringe benefits	75
Education and training	28
Printing and publications	
	444
Total community and economic development	16,070

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Recreation and Culture:	
Parks and Recreation: Personnel Fringe benefits Printing and publications Insurance Repairs and maintenance Other	3,421 260 30 1,350 85 2,250 7,396
Total recreation and culture	7,396
Other:	
Employee Benefits: Fringe benefits	247 247
Total other	247
Capital Outlay:	
General Government: Building and grounds	2,085 2,085
Public Safety: Fire	2,404 2,404
Recreation and Culture: Parks and recreation	1,736 1,736
Total capital outlay	6,225
Debt Service: Principal Interest and fees	12,100 5,415 17,515
Total expenditures	\$ 313,738

ENTERPRISE FUND

BALANCE SHEET

March 31, 2004

	Water Fund
ASSETS:	
Current Assets: Cash and equivalents Investments Accounts receivable Due from other funds	\$ 596,693 249,354 36,023 23 882,093
Total current assets	002,000
Restricted Assets: Investment in joint venture Total restricted assets	51,126 51,126
Fixed Assets: Property and equipment, at cost Less: accumulated depreciation	918,644 (661,602)
Net fixed assets	257,042
Total assets	<u>\$ 1,190,261</u>
LIABILITIES AND FUND EQUITY:	
Current Liabilities: Accounts payable Accrued expenses Due to other funds Total current liabilities	\$ 7,623 10,186 19,161 36,970
Fund Equity: Contributed capital Retained Earnings: Reserved Unreserved	160,998 51,126 941,167
Total fund equity	1,153,291
Total liabilities and fund equity	\$ 1,190,261

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Water Fund
OPERATING REVENUES:	ф 105 19 <i>6</i>
Charges for services	\$ 195,186
Total operating revenues	195,186
OPERATING EXPENSES:	<0.000
Personnel	62,200
Fringe benefits	4,333
Supplies	1,652 760
Contracted and professional services	8,630
Administrative expense	706
Telephone	114
Dues and memberships	586
Education and training	11
Printing and publications	20,812
Repair and maintenance	6,044
Insurance	91,131
Purchase of water	5,566
Other services and supplies	24,756
Depreciation	227,301
Total operating expenses	
Operating income (loss)	(32,115)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	15,857
Other income	4,600
Total non-operating revenues (expenses)	20,457
Net income (loss)	(11,658)
Retained earnings, beginning of year	1,003,951
	\$ 992,293
Retained earnings, end of year	

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

		Water Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:	•	(22.115)	
Net operating loss	\$	(32,115)	
Adjustments to reconcile operating income to net			
cash provided by operating activities:		24,756	
Depreciation Decrease (increase) in current assets:			
Accounts receivable		(9,728)	
Increase (decrease) in current liabilities:		1 205	
Accounts payable		1,325	
Accrued expenses		5,168	
Net cash provided by (used for) by operating activities		(10,594)	
RELATED FINANCING ACTIVITIES: Other revenue		4,600	
Net cash provided by (used for) non-capital and related financing activities		4,000	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments		(6,893)	
Investment in joint venture		(77) 15 957	
Interest received	_	15,857	
Net cash provided by (used for) investing activities		8,887	
Net increase (decrease) in cash and cash equivalents		2,893	
Cash and cash equivalents, beginning of year	_	593,800	
Cash and cash equivalents, end of year	\$	596,693	

JAMES TOWNSHIP

FIDUCIARY FUND

BALANCE SHEET

March 31, 2004

	Agency Fund
ASSETS: Cash and cash equivalents Total assets	\$ 204,605 \$ 204,605
LIABILITIES: Due to other funds Due to other governmental units Total liabilities	\$ 76,529 128,076 \$ 204,605

JAMES TOWNSHIP

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

TAX COLLECTION FUND

		Balance April 1, 2003 Additions		Deductions	Balance March 31, 2004	
ASSETS: Cash and cash equivalents Total assets	<u>\$</u> \$	200,271 200,271	\$ 1,256,574 \$ 1,256,574	\$ 1,252,240 \$ 1,252,240	\$ \$	204,605 204,605
LIABILITIES: Due to other funds Due to other governmental units Total liabilities	\$ \$	29,392 170,879 200,271	\$ 175,783 1,080,791 \$ 1,256,574	\$ 128,646 1,123,594 \$ 1,252,240	\$ 	76,529 128,076 204,605



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Township Board James Township Saginaw County, Michigan

We have completed our audit of the financial statements of James Township for the year ended March 31, 2004, and have issued our report thereon dated August 12, 2004. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of James Township taken as a whole. Our study and evaluation disclosed conditions that we believe to be a material weaknesses as follows:

RECEIPTS

The Township is using pre-numbered multiple-part official receipt forms. However, separate forms are not being prepared for each payer as described in the Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury.

The Uniform Accounting Procedure Manual, in regard to receipting, among other things states the following:

"Each receipt must clearly indicate the name of the payer, the amount paid, the purpose for which paid, the fund, account number, and the signature of the Township official receiving the money."

Currently the Township is periodically combining several individual receipts on one prenumbered receipt when a deposit is made.

RECEIPTS, continued

The current receipting process does not provide the proper audit trail for determining the source and amount of each individual collection or receipt. As a result, internal control over the receipting process is weakened.

We highly recommend that the Township Treasurer prepare a separate pre-numbered official receipt form for each receipt.

Separate receipts do not have to be prepared for each property tax collection or each regular water bill collection.

HALL RENTAL ACCOUNT

The Township has a hall rental bank account that is maintained completely by the Township office employee. The office employee prepares hall rental agreements, collects rent payments, makes deposits, writes and signs checks, receives the bank statements, and monthly prepares the reconciliation of the hall rental cash check book balance to the bank balance.

Good internal control procedures require that there be some separation of duties in a situation such as this. At a minimum, the person who receives and deposits money and/or writes checks should not also be receiving the bank statement and preparing the bank reconciliation.

The current handling of the hall rental cash account provides for no internal control over the account transactions or balance.

We recommend that checks from the hall rental cash account be approved and co-signed by the Township Treasurer. The bank statement should be received directly by the Township Treasurer or Clerk who should prepare the account reconciliation.

BUILDING PERMIT AND HALL RENTAL AGREEMENT FORMS

The Township building permit forms and hall rental agreement forms are not pre-numbered.

Good internal control procedures require the use of pre-numbered forms whenever possible. The use of pre-numbered forms improves the auditability of the completeness of revenues because all forms and related money should be accounted for in the recording process.

We recommend the building permit forms and hall rental agreement forms be pre-numbered.

We also noted the following items:

CREDIT CARD POLICY

The Township has approved a "Resolution Adopting the Use of a Township Credit Card." The Township, it appears, has not approved a "Credit Card Use Policy" in accordance with PA 266 of 1995.

The resolution adopted by the Township is good; however, the State law required certain additional items to be stated in the policy.

We have provided the Township Clerk with a sample credit card use policy resolution obtained from the Michigan Township Association. We recommend that the Township adopt a credit card policy in the prescribed format.



INVESTMENT POLICY

The Township has not adopted an investment policy as required by the State of Michigan Public Act 196 of 1997.

We have provided the Township Clerk with a sample investment policy obtained from the Michigan Township Association. We recommend that the Township adopt an investment policy in the prescribed format.

BUILDING PERMIT FEES

The State of Michigan Public Act 245 of 1999 requires that Townships establish reasonable building permit fees which bear a reasonable relationship to the cost of operating the building inspection department.

For the year ended March 31, 2004 the Township building permit revenues exceeded direct inspection expenses by \$2,932.

We suggest the Township review the building department rates and expenses relative to the requirements of PA 245 of 1999.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company

Certified Public Accountants

Routionit Co.

August 12, 2004

